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SENSITIVE  
SIPDIS

DEPARTMENT FOR H, EAP/MLS; PLEASE PASS TO SENATOR WEBB

E.O. 12958: N/A

TAGS: [PREL](#) [PGOV](#) [PHUM](#) [ECON](#) [ETRD](#) [MARR](#) [LA](#)

SUBJECT: SCENESETTER FOR SENATOR WEBB'S VISIT TO LAOS

This message is Sensitive But Unclassified. Please handle accordingly.

1. (SBU) You come to the Lao People's Democratic Republic as the bilateral relationship continues to broaden beyond anything seen since the Communist Pathet Lao came to power in 1975. Your visit will be interpreted by the Lao government (GOL) as further evidence of U.S. interest in positive engagement with Laos. The GOL participated in the June 23 Lower Mekong Ministerial with Secretary Clinton in Thailand, and has warmly welcomed the prospect of greater U.S. attention to Southeast Asia. President Obama's decision in June to lift restrictions on U.S. Export-Import Bank support for U.S.-Lao trade has also been received as a very positive political signal.

2. (SBU) While the Lao political system remains firmly in the control of the avowedly-Leninist Lao People's Revolutionary Party, the forces of globalization and regionalization continue to drive the Lao government to open the economy to market forces. Laos is a weak, landlocked state surrounded by much more powerful neighbors. China and Vietnam are ideological allies that are also interested in exploiting the country's natural resources and exercising political influence. Laos' 12 years as a member of ASEAN have helped bring its leadership greater confidence in dealing with the international community and greater willingness to integrate with the global economy outside of its immediate neighborhood.

3. (SBU) The current government - in office since 2006 with a five-year term - is more technocratic and less ideological than its predecessors and has kept up a steady pace of economic reform. A cohort of talented and more outward-looking Lao officials is rising in the government and Party. Despite residual suspicion of U.S. intentions among the aging politburo members, the Lao government has responded favorably to Embassy efforts to broaden engagement with the U.S. and to address positively areas of difference, including on human rights. As older politburo leaders retire in 2011, we expect this trend toward leadership pragmatism and positive relations with the United States to continue.

Global Crisis Has Slowed Recent Economic Progress  
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4. (SBU) Until the global economic crisis of 2008, international investments in mining and hydropower over the past decade had resulted in a windfall of revenues for the government and helped fuel high GDP growth. The global recession has hit these sectors hard, bringing projected growth rates for the years 2009-2011 down from 8 percent to 4-5 percent annually.

5. (SBU) While Laos has been to some extent insulated from the crisis by the fact that over 70 percent of the population depends on rural, largely subsistence activities, the slowdown in investment will hamper prospects for Laos' prospects for achieving its goal of leaving Least Developed Country status by 2020. Laos will continue to rely heavily on international donors for investments in human resource and infrastructure development. Laos will also be hard pressed to significantly reduce the high national rates of poverty and malnutrition, especially in children under the age of five, and

raise the low standards of education and health care that place the country firmly in the lowest tier of UN and World Bank human development indicators.

¶16. (SBU) The key development challenge for the Lao government over the next ten years will be to achieve more broadly based economic growth that will create employment opportunities and lift living standards of the impoverished rural sector. Although Laos has recently generated significant new wealth, these riches have gone disproportionately to urban elites associated with the communist party. Laos' poorly developed system of governance and dire shortage of trained personnel will make it difficult to carry through economic reforms, even when the government has the will to do so.

Moving Laos toward international governance standards  
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¶17. (SBU) Under the GOL's one party political system, rights to free speech, free press and free association are limited. The international community, including the United States, has continuing concerns about religious freedom and human rights generally in Laos, though the GOL has been more willing in recent years to engage on these issues. The GOL is also now beginning to take some steps to permit the emergence of civil society, including a Prime Minister's decree in April this year that promises to allow the legal formation of Lao non-profit organizations to an unprecedented degree.

¶18. (SBU) Key Embassy objectives are to assist Laos to integrate fully within ASEAN and the global economy, to promote sustainable economic and social development, and to strengthen the emerging but very fragile civil society along with greater respect for human rights. Laos, in turn, values constructive relations with and

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assistance from the U.S. (along with Europe, Japan and Korea), to balance its relations with China and Vietnam. The Embassy looks to take advantage of the opportunity that now exists to influence Lao economic policy and development, and thus its political development as well.

Plans to bring USAID back soon  
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¶19. (SBU) The Embassy has begun talking with the Lao government and with USAID about opening a USAID office in Vientiane within the next two years, to expand assistance programs into new economic reform, health, education, and environment projects. The Lao government has expressed a strong interest in increased U.S. development assistance and recognizes that this would require quietly dropping past objections to a USAID presence, derived from the agency's association with the pre-1975 "secret war."

¶110. (SBU) The Lao have been eager to receive U.S. technical assistance to help them implement the commitments they made to us in the Bilateral Trade Agreement and to prepare for WTO membership. Since the BTA came into effect in 2005, bilateral trade has increased rapidly from a small base, growing from \$25 million in 2007 to \$60 million in 2008. We are expanding an assistance program that would build Laos' capacity to modernize its legal and regulatory framework for trade. This will be an important step toward developing a rule of law society in Laos.

¶111. (SBU) We have seen very positive cooperation in preventing and containing infectious disease in Laos, with recent emphasis on avian influenza, which sees frequent outbreaks here. This has been a multi-agency effort, involving the Centers for Disease Control (CDC), U.S. Pacific Command and Defense medical agencies, and the Department of Agriculture, as well as USAID.

Military relations broadening as well  
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¶112. (SBU) The POW/MIA full accounting mission remains of the highest importance to the American people and to this Mission. The GOL continues to provide very active cooperation to our joint recovery efforts. Our broader goal of assisting the Lao military to become a

more professional institution is proceeding with the opening of the U.S. Defense Attache Office in December 2008. Senior Lao military officials are now frequently participating in U.S. DOD-sponsored regional conferences. Our small IMET program is for the moment focused mostly on English language training, to broaden the pool of Lao military personnel who can effectively interact in international settings.

#### UXO Clearance a Continuing Humanitarian Need

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¶13. (SBU) Unexploded ordinance (UXO) is another legacy of the Indochinese war that continues to take a heavy civilian toll, especially among children killed or injured by the remaining tens of millions of unexploded cluster bombs. UXO also has considerable impact on economic development, driving up the cost of infrastructure construction and preventing large amounts of arable land from being safely farmed. U.S. Special Forces personnel trained Lao UXO clearance experts in the late 1990s, and the USG is the largest single donor to Lao UXO clearance operations. While the Lao do not explicitly link our assistance in the removal of UXO to their support for the MIA recovery operations, they perceive both as driven by humanitarian considerations.

¶14. (SBU) UXO clearance in Laos is at present an overwhelmingly civilian activity, either by the state agency UXO Lao or by international NGOs. With the Defense Attache Office now open, we hope in the near future to use an initial small Foreign Military Financing program to help the Lao military enhance its de-mining capacity. The civilian agencies do not undertake de-mining work.

#### Counter Narcotics Cooperation a Notable Success Story

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¶15. (SBU) U.S.-funded opium crop control programs in Laos have been a success story. Alternative development projects have brought opium cultivation down from 26,000 hectares in 1998 to around 2,000 hectares in 2008. There are reports, however, indicating increased opium planting in early 2009, possibly influenced by the economic slowdown and historically high opium prices. Laos is highly vulnerable to illegal trafficking of all kinds - human, drugs and wildlife -- because of weak law enforcement and rapidly expanding road links to China, Thailand and Vietnam. Combating all these forms of trafficking continues to be a key U.S. interest. Lao law enforcement has been slower to work with U.S. agencies other than the GOL elements, but has recently increased cooperation with DEA. The growing threat of methamphetamines to Lao youth and the recent appearance of West African drug trafficking networks have boosted

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Lao interest in international law enforcement collaboration.

#### Resolving the Issue of Lao Hmong Detained in Thailand

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¶16. (SBU) There are currently around 5,000 ethnic Hmong Lao citizens detained in Thailand for illegal entry. The GOL and Royal Thai Government (RTG) have announced their intent to return to Laos all of these detainees by the end of 2009. An additional 2,700 Lao Hmong have already been returned - voluntarily, say the two governments - since 2006, with the GOL providing support for reintegration into Lao communities. Both governments have expressed concern that resettling detained Lao Hmong to any other country will result in more Lao Hmong crossing to Thailand in order to emigrate abroad.

¶17. (SBU) The U.S. has an established humanitarian interest in the status of the ethnic Hmong minority, some of whom fought on behalf of the U.S. during the "secret war" in Laos. The central Embassy Vientiane objective regarding Lao Hmong detainees is to put in place a process, consistent with international norms and transparent to the international community, for the safe resettlement in Laos of Hmong who left for Thailand in the expectation of resettlement as refugees in a third country, but who do not qualify for refugee status. U.S. Embassy Bangkok is addressing with the RTG the issue of an appropriate screening process to determine whether any of the

Lao Hmong detainees may in fact have grounds to be considered refugees.